



April 22, 2004

**BY HAND DELIVERY**

Mr. Kevin Brannelly, Director  
Rates and Revenue Requirements Division  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> floor  
Boston, MA 02110

Re: D.T.E. 99-60 - Fitchburg Gas and Electric Light  
Company, Default Service Tariff Filing M.D.T.E. No. 111  
for June 1, 2004

Transmittal Letter

Dear Mr. Brannelly:

Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil") hereby submits two copies of Tariff Sheet No. 111 to implement Unitil's revised Default Service prices, effective June 1, 2004. The tariff sheet incorporates the new prices in both redlined and final version. The results of Unitil's Request for Proposals ("RFP") are being filed with the Department today under separate cover. This tariff is proposed to become effective on June 1, 2004.

Also included herein is a revised tariff sheet, M.D.T.E. No. 111 incorporating the new prices in both redline and final versions.

Unitil will continue to notify customers of the changes in the default service rates in compliance with the Order in DTE 99-60-C using notices developed in conjunction with the default service education working group and the Department's Consumer Division. Unitil will also post its approved rates on its website and make them available via a toll free number at least 30 days in advance of June 1, 2004.

Pursuant to the Motion for Protective Treatment filed today under separate cover, Unitil seeks to protect from public disclosure the wholesale prices bid in response to its RFP. Accordingly, Unitil is filing the original and one copy of the tariff sheets which contain the confidential version of Attachment 1 with Secretary Cottrell. Copies of the filing containing

Gary Epler  
Senior Regulatory Counsel  
6 Liberty Lane West  
Hampton, NH 03842-1720

Phone: 603-773-6440  
Fax: 603-773-6640  
Email: epler@unitil.com

redacted versions of Attachment 1, which do not disclose the wholesale prices, have been provided to all other recipients unless otherwise noted.<sup>1</sup>

Please contact me should you have any questions concerning this matter.

Very truly yours,



Gary Epler  
Senior Regulatory Counsel

Enclosure

cc: Mary L. Cottrell, Secretary (w/original and 1 copy of confidential attachments.)  
Jeanne Voveris, Esquire, Hearing Officer  
Ronald LeComte, Director, Electric Power Division  
Alexander Cochis, Asst. Attorney General (2 copies w/confidential material.)  
Robert Sydney, General Counsel, Division of Energy Resources (1 copy w/confidential material.)  
David McKeehan, President, No. Central Mass. Chamber of Commerce  
D.T.E. 99-60 Service List

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<sup>1</sup> Unitil is also providing copies of the filing containing the confidential material to the Attorney General (2 copies) and the Division of Energy Resources (1 copy), with whom Unitil has entered into Nondisclosure Agreements for this proceeding.



April 22, 2004

**BY HAND DELIVERY**

Ms. Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> floor  
Boston, MA 02110

Re: D.T.E. 99-60 - Fitchburg Gas and Electric Light  
Company, Default Service Tariff Filing M.D.T.E. No. 111  
for June 1, 2004

Letter of Explanation

Dear Ms. Cottrell:

Today, Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil") submitted its Default Service tariff rate filing, M.D.T.E. No. 111. This tariff is proposed to become effective on June 1, 2004. The tariff is based upon the results of Unitil's Request for Proposals ("RFP") for Default Service, which is being filed with the Department today under separate cover.

Enclosed with this letter is a check in the amount of \$100.00 for the required filing fee.

As discussed in more detail in the RFP filing, Unitil sought fixed monthly pricing for 50 percent of the residential and small general service customers' load for the 12 months beginning June 1, 2004, and fixed monthly pricing for the entire regular and large general service and outdoor lighting customers' load for the three month period beginning June 1, 2004. As noted in my letter to the Department of March 9, 2004, the term for the residential and small general service solicitation encompasses the end of the standard offer service ("SOS") on February 28, 2005. In order to address this re-classification and the significant difference in default service loads that will be served before and after the SOS termination date, Unitil separately solicited, evaluated and awarded bids for residential and small general service customers for the nine months of June 2004 through February 2005, and for the 3 months of March 2005 through May 2005.

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Hampton, NH 03842-1720

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Unitil continues to plan to purchase Renewable Energy Certificates ("RECs") as a separate product from the market for this Default Service period. For purposes of this filing, and based upon its analysis of the

current REC market, Unitil has estimated the stand-alone price of RECs that would comply with the Renewable Energy Portfolio Standards ("RPS") to be \$45 per MWh.<sup>1</sup> This rate equates to \$0.00068/kWh for 2004 when the Renewable Energy Portfolio Standard is 1.5% of load. This provides for compliance with 225 CMR 14.00. Unitil requests cost recovery approval for default service RECs as part of this filing and has included the estimates above in its proposed Default Service rates. Unitil has reflected its proposal to recover these costs in its Default Service tariff, M.D.T.E. No. 111.

Unitil has used the same methodology applied to the winning bids for calculating retail rates as was used in its Default Service rate filing made with the Department on October 22, 2003 and approved on October 30, 2003 with one exception: the wholesale rate used for the residential and small general service class has been computed by averaging the winning bid rates from the October solicitation for 50 percent of the load and the winning bid rates from this month's solicitation for 50 percent of the load. The proposed rates are summarized in Attachment 1, Page 1. As shown, the Variable Monthly Pricing Option charges differ by class and by month (for residential and small general). The Fixed Pricing Option charges vary by class. Attachment 1, page 2 demonstrates the calculation of both the variable and fixed charges. The fixed charges are equal to the retail variable charges weighted by monthly kWh sales percentages based on a forecast of monthly kWh sales.

Attachment 1, page 2, shows the kWh sales forecast at the bottom of the page. The percentages shown on lines 8-11 are the ratios of the monthly amounts to the totals for the period June 2004 – November 2004. Consistent with prior filings, Unitil has continued to assume equal monthly usage as representative of expected usage patterns for the large general service class due to limited participation under Default Service in that class.

These proposed rates represent a bill increase to a 500 kWh typical residential customer on the Fixed Pricing Option of \$1.35 per month, or a 2.0 percent increase versus rates currently in effect (see Attachment 2, page 1 of 18). The current rate under the Fixed Pricing Option is \$0.05917 per kWh for residential customers. The proposed rate, based on the RFP for the period June 2004 through November 2004, is \$0.06186 per kWh. Bills to regular and large general service customers will increase from 5.9% to 9.5% depending on usage and rate class. A complete set of bill impacts is attached as Attachment 2, pages 1 through 18.

The proposed residential Default Service rate is lower than Unitil's current Standard Offer Service rate (including the Department approved Fuel Adjustment). Therefore, low-income customers will remain on Default Service effective June 1, 2004. Low income customers will then

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<sup>1</sup> As required by the Department's Order on Default Services in D.T.E. 02-40-B, issued on April 24, 2003, please see the RFP filing for a further discussion of Unitil's RPS compliance strategy.

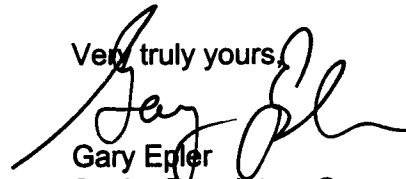
continue on Default Service until such time as the Default Service rate is no longer the lowest priced generation service. The current Standard Offer Service rate is \$0.06323 per kWh while the proposed fixed Default Service rate for residential customers is \$0.06186 per kWh.<sup>2</sup>

Unitil will continue to notify customers of the changes in the default service rates in compliance with the Order in D.T.E. 99-60-C using notices developed in conjunction with the default service education working group and the Department's Consumer Division. Unitil will also post its approved rates on its website and make them available via a toll free number at least 30 days in advance of June 1, 2004.

Pursuant to the Motion for Protective Treatment filed today under separate cover, Unitil seeks to protect from public disclosure the wholesale prices bid in response to its RFP. Accordingly, Unitil is filing the original and one copy of the tariff sheets which contain the confidential version of Attachment 1 with your office. Copies of the filing containing redacted versions of Attachment 1, which do not disclose the wholesale prices, have been provided to all other recipients unless otherwise noted.<sup>3</sup>

Please contact me should you have any questions concerning this matter.

Very truly yours,



Gary Epler  
Senior Regulatory Counsel

cc: Jeanne Voveris, Hearing Officer  
Ronald LeComte, Director, Electric Power Division  
Kevin Brannelly, Director, Rates and Revenue Requirements  
Alexander Cochis, Asst. Attorney General  
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David McKeehan, President, No. Central Mass. Chamber of Commerce  
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<sup>2</sup> Please note that in Unitil's pre-filed direct testimony in docket DTE 03-88D, Karen M. Asbury, Director of Regulatory Services for Unitil Service Corp., recommended that once approved by the Department, changes in cost recovery for default service related costs from distribution base rates to default service rates be implemented for all customer classes at the same time. Ms. Asbury noted that the next default service rates change for all classes is June 1, 2004. As Unitil's proposal in that docket remains pending, the tariffs in this filing do not contain any changes in cost recovery for default service rates from base rates. Unitil's next default service rate change for all classes after the pending change is December 1, 2004.

<sup>3</sup> Unitil is also providing complete copies of the filing containing the confidential information to the Attorney General (two copies) and the Division of Energy Resources (one copy), with whom Unitil has entered into Nondisclosure Agreements for this proceeding.